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South Africa to implement the tax on sweetened beverages in 2018

Report Categories:

Sugar
Beverages
Agricultural Situation
Agriculture in the Economy
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Report Highlights:

On December 15, 2017, the South African Revenue Services (SARS) announced that it will start to collect sugar tax from all sweetened beverages, excluding 100% fruit juices starting on April 1, 2018. The tax could impact at least US$5 million worth of U.S. beverage exports to South Africa. Post will continue to monitor and provide updates on the sugar tax to ensure that it is fairly implemented and enforced equally on both domestic and imported beverages.

Background

On December 15, 2017, the South African Revenue Services (SARS) announced that it will start to collect sugar tax from all sweetened beverages, excluding 100% fruit juices starting on April 1, 2018 (Click here to download the notice). The tax will affect both domestic and imported beverages, and will particularly impact soft drinks. SARS will begin the registration of domestic manufactures of sugary beverages in February 2018 to ensure compliance and effective enforcement of the tax. Imported products will be taxed when they are cleared at the port of entry. The levy is fixed at 2.1 cents per gram of sugar content that exceeds 4 grams per 100ml, which means the first 4 grams per 100ml are levy free. Post published the below GAIN report on the proposed sugar tax in March 2017.

Implications

Based on 2016 figures, the tax could impact at least US$5 Million worth of U.S. beverage exports to South Africa. The South African National Treasury and Department of Health stated that the tax is part of government's program to prevent and control Non-Communicable Diseases (NCDs) and reduce obesity. However, the beverage industry widely criticized the tax and ran extensive media campaigns arguing that the tax alone will not be effective in addressing NCDs and obesity (Download example of media article). In addition, the beverages industry raised concerns that the tax could result in massive job losses of between 62,000 to 72,000. On the contrary, the Trade and Industrial Policy Strategies (TIPS), a widely known South African research organization and think tank, published a document arguing that the beverage industry misused FAO data in arguing that sugar consumption is not a significant problem in South Africa, while ignoring actual studies of diet and nutrition (Click here to download the TIPS Report).

Post will continue to monitor and provide updates on the tax to ensure that it is fairly implemented and enforced equally on both domestic and imported beverages.

Related GAIN Reports

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